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Family Economic (In)Security: A View from the States

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Overview

These are challenging economic times for American families, especially those headed by low-wage workers. But state policy can play an important role in helping those who work hard achieve economic security for their families.

This document outlines why state policymakers need to pay more attention to low-wage work, its effects on families and children, and what it takes for low-wage workers to make their families economically secure. It also describes a set of State Family Economic Security Profiles that the National Center for Children in Poverty (NCCP) designed to highlight policy options available to state policymakers, the choices each state has made, and how families are doing economically in all 50 states and the District of Columbia.

The Challenges of Low-Wage Work

Low-wage workers and their families face rising levels of economic insecurity. More than 30 million Americans—a quarter of the U.S. labor force—work in jobs that pay poverty-level wages and that provide few prospects for advancement and wage growth.[1] Low-wage jobs are often unstable. The work is sometimes less than full-time, seasonal, or temporary, and the hours can be unpredictable.

Low-wage jobs are less likely than higher-paying jobs to offer benefits such as health insurance, paid sick leave, retirement plans, and the flexibility to deal with family commitments (e.g., to stay home to care for a sick child). Working conditions are often stressful and physically and emotionally draining; injury from dangerous, repetitive, or monotonous tasks is commonplace. Such conditions are particularly common for immigrant workers, who account for 20 percent of the low-wage workforce.[2]

Shifts in the economy from manufacturing to services have made it virtually impossible for workers without a college degree to command a living wage. The days when a hard-working high school graduate could provide a family with a middle-class income by being a "union man" (or woman) are all but gone. African Americans have been particularly hard hit.

Yet, only 30 percent of workers in the United States have a college degree. Although more people are going to college, completion rates among low-income students continue to be quite low. Students in the poorest quarter of the population have less than a 10 percent chance of graduating from college.

Workers with just a high school diploma have seen their wages stagnate or even decline in recent decades, and the income gap between people with a college degree and those without one has doubled. And for those without education, wealth, and personal connections, the possibilities for social mobility have declined.[3]

Despite low pay and fluctuations in income, low-wage workers must cope with steep increases in the costs of supporting a family—housing, medical care, child care, and transportation consume an ever-increasing portion of the family budget. The result is low levels of savings and mounting debt. America's savings rate has steadily declined since the mid-1970s, recently falling below zero.[4] Increasing gaps between family income and the monthly budget combined with easy access to expensive credit have conspired to saddle millions of working Americans with crippling debt.

The bottom line is that low wages, few employer-provided benefits, few routes to advancement, the increased costs of basic expenses, minimal savings, and increased debt have left large numbers of American workers and their families economically vulnerable. Many such families are merely one crisis—a serious illness, job loss, or divorce—away from financial devastation.

How Insufficient Family Income Harms Children[5]

Family income matters for children's development. A large and expanding body of research documents the associations between too few financial resources and a host of negative results for children. Low family income can impede children's cognitive development and their ability to learn. It can contribute to behavioral, social, and emotional problems. And it can contribute to poor child health as well.

The children at greatest risk are those who experience poverty when they are young and children who experience persistent and deep poverty. The negative effects of low income on young children, troubling in their own right, are also cause for concern given that these effects are associated with difficulties later in life—teenage childbearing, dropping out of school, poor adolescent and adult health, and poor employment outcomes.

Studies of experimental welfare programs that increase family income through employment and earnings supplements offer the strongest evidence to date that raising the incomes of low-wage workers can positively affect their children's development, especially younger children. The most consistent finding is improvement in school achievement among elementary school-age children.

But it is not simply the amount of income that matters for children. The instability and unpredictability of low-wage work can lead to fluctuating family incomes. Children in volatile or deteriorating financial circumstances are more likely to experience negative effects than children in stable economic situations.

In short, the challenges faced by low-wage workers have consequences for children, whose future prospects depend on the security their parents can provide for them *while they are children*. This requires paying attention to the inadequacies of low-wage work and what it means for families.

What Families Need to be Economically Secure[6]

Income is the most basic building block of family economic security. It provides the means through which families pay for their most basic day-to-day needs, such as housing, food, and clothing. But true economic security requires more income than is necessary for families to simply "get by." Improving a family's financial prospects over the long haul requires building job and life skills, accumulating assets, and minimizing debt.

Savings and other types of financial assets can help families survive a crisis, plan for the future, and improve children's living conditions. An asset such as a car can make it possible for a family member to obtain or maintain a job that would otherwise be inaccessible; owning a home can reduce regular monthly outlays. An investment in education can improve family income by leading to a job with better pay or prospects for advancement.

But too many families lack an adequate financial safety net, so an unexpected illness or a sudden layoff leads them to take on debt. Purchasing a home in a stable neighborhood with decent public schools is increasingly out of reach for low-wage workers. Such families often face the choice of inadequate housing and schooling or living on the brink of financial insolvency.

For families to be economically secure, they need not only assets but also "human and social capital," which includes education, skills, and employment experience, as well as less tangible resources such as social and professional networks. Human and social capital provides parents with the means to advance in the labor market, improve their earnings potential, and ultimately, to increase their family's standard of living, laying the groundwork for the next generation to succeed.

NCCP's Family Economic Security Profiles: A View from the States

Despite the fact that many of the forces contributing to the creation of so many low-wage, low-quality jobs are beyond the control of individual states, state policies can help ease the burdens that large-scale societal forces impose on workers and families.

Work support policies that help workers keep their jobs and advance in the workplace increase the potential for family economic security. Access to work supports is especially important for immigrants, who make up a disproportionate share of our country's low-wage workforce.

Policies that keep workers and their children healthier, through public health insurance, for example, can reduce absenteeism. To be reliable at work, parents need stable child care, and state subsidies make such care more affordable. Other state policies, such as minimum wage laws and earned income tax credits, increase the resources of low-wage workers, improving income adequacy. And policies that help low-wage workers accumulate assets—whether a savings account, a car, or a home—can also help families get ahead.

To help policymakers, advocates, and researchers better understand the policy options available to states and the choices they have made, NCCP has developed two sets of Family Economic Security Profiles for each state and the District of Columbia: **State Policy Choices** and **State Policy Context**. The data on these pages are drawn from the most recently available 50-state sources and will be updated regularly.

Both sets of state profiles are organized by a common framework that emphasizes what low-wage workers need to be economically secure:

- Education and Work Preparation
- Work Attachment and Advancement
- Income Adequacy
- Asset Development and Protection

State Policy Choices

The **State Policy Choices** profiles detail policy decisions state governments have made that affect low-wage workers and their families, potentially increasing or impeding their chances of becoming economically secure. The profiles focus primarily on work supports (both benefit programs and tax policies) and policies that affect the ability of families to accumulate assets.

State Policy Context

The **State Policy Context** profiles characterize the demographic and economic conditions within each state, providing measures of how families are doing economically. These indicators provide measures of what families need (e.g., low education levels indicate the need for greater access to higher education or higher-quality job training). They reflect conditions within the state over which the state may have little control, as well as the consequences of previous and current policies.

States Can Make a Difference

NCCP's 50-state Family Economic Security Profiles document the tremendous variation that exists across the states. This nation has states at extremes in terms of child poverty, levels of parental education, and numbers of families who lack health insurance.

The same can be said about state policy choices. Many states could do far more to help struggling working families. Yet, despite fiscal pressures, other states have made the commitment to not let tough times fall solely on the backs of their state's most vulnerable workers and their families. When it comes to family economic security, state policy *can* make a difference.

Endnotes

1. Shulman, B. (2003). *The betrayal of work: How low- wage jobs fail 30 million Americans*. New York, NY: The New Press.

2. Immigrants comprise 14 percent of the nation's workers overall. Capps, R.; Fix, M.; Henderson, E.; & Reardon-Anderson, J. (2005). *A profile of low-income working immigrant families*. Washington, DC: The Urban Institute <www.urban.org/UploadedPDF/311206_B-67.pdf>.

3. Ever higher society, ever harder to ascend: Meritocracy in America [special report]. (2004). *The Economist*, Dec. 29 <www.economist.com/world/na/displayStory.cfm?story_id=3518560>.

4. Demos & Center for Responsible Lending. (2005). *The plastic safety net: the reality behind debt in America, findings from a national household survey of credit card debt among low- and middle-income households.* New York, NY and Durham, NC: Demos and Center for Responsible Lending <www.demos.org/pubs/PSN_low.pdf>.

5. Cauthen, N. K. (2002). *Policies that improve family income matter for children*. New York, NY: National Center for Children in Poverty, Columbia University Mailman School of Public Health <www.nccp.org/pub_iec02a.html>.

6. Ibid.